

**PUBLIC DISCLOSURE**

March 9, 1998

**COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Johnsonville State Bank

05450740

P. O. Box 8

Johnsonville, South Carolina 29555

**Federal Reserve Bank of Richmond**

**P. O. Box 27622**

**Richmond, Virginia 23261**

NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

## **GENERAL INFORMATION**

The Community Reinvestment Act (CRA) requires each Federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of Johnsonville State Bank, Johnsonville, South Carolina, prepared by The Federal Reserve Bank of Richmond, the institution's supervisory agency, as of March 9, 1998. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A of 12 CFR Part 228.

**INSTITUTION'S CRA RATING:** This institution is rated Satisfactory.

The bank's loan-to-deposit ratio is considered reasonable given its financial capacity, location, and demand for credit in the area. A substantial majority of loans sampled during the examination were extended to borrowers residing within the assessment areas. The institution's level of lending to low- and moderate-income borrowers is considered reasonable. The distribution of lending by income level of the geography is considered satisfactory.

**DESCRIPTION OF INSTITUTION:**

Johnsonville State Bank operates one office within Florence County, South Carolina. As of December 31, 1997, the bank had assets of approximately \$23 million, of which 39% were loans. The institution offers a variety of credit and deposit products, including loans for consumer, residential mortgage, and small business purposes. The loan portfolio as of December 31, 1997, was comprised of the following: 45% consumer, 42% real estate secured (consumer and business), and 13% commercial. Based on the number and dollar amounts of loans extended during the previous 12 months, consumer loans secured by motor vehicles and business loans were identified as the principal credit products offered by the bank. The institution's previous CRA rating was satisfactory.

**DESCRIPTION OF ASSESSMENT AREA**

The institution has delineated two assessment areas. The following census tracts in Florence County comprise one local community: 16.02, 17.00, 18.00, 19.00, 20.00, 22.01, and 22.02. The county is part of the Florence Metropolitan Statistical Area (MSA). The other assessment area contains portions of Georgetown, Marion, and Williamsburg Counties and is not located within an MSA. Listed below are the block numbering areas (BNAs) included in the bank's nonmetropolitan community by county.

<u>Georgetown</u>	<u>Marion</u>	<u>Williamsburg</u>
9801.00	9507.00	9702.00
	9508.00	9703.00
		9704.00
		9705.00

The assessment areas are located in the northeast portion of the state. According to the 1990 census, the delineated segment of Florence County has a population of approximately 27,000 and consists of three moderate-income and four middle-income census tracts. The defined area that includes portions of Georgetown, Marion, and Williamsburg Counties has a combined population of approximately 29,000 and includes three moderate-income and four middle-income BNAs. There are no low- or upper-income geographies included within the assessment areas. The 1997 median-family incomes for nonmetropolitan areas within the State of South Carolina and the Florence MSA are \$34,700 and \$37,200, respectively. Of the families residing within the assessment areas, 24% live below the poverty level.

The following table provides assessment area demographics by the income level of families for both the metropolitan and nonmetropolitan assessment areas.

	<b>Low- Income</b>	<b>Moderate- Income</b>	<b>Middle- Income</b>	<b>Upper- Income</b>	<b>Total</b>
<b>Percentage of Area Families by Income Level in MSA Assessment Area</b>	32%	18%	23%	27%	100%
<b>Percentage of Area Families by Income Level in Non-MSA Assessment Area</b>	29%	20%	21%	30%	100%

Within the region, a variety of manufacturing facilities employ the majority of local residents. Agriculture also remains an important segment of the area's economy with local farms producing tobacco, soybeans, corn, wheat, cotton, fruits, and vegetables.

The January 1998 unemployment rates for Florence, Marion, and Williamsburg Counties are 5%, 8%, and 16%, respectively. While these rates are somewhat lower than at the previous examination, they still compare unfavorably to the state's jobless rate of 3.8%.

An owner of a local small business was contacted to further assist in evaluating the bank's CRA performance. According to the contact, area banks are currently meeting the credit needs of local businesses and consumers. However, if recent improvement in the economy continues, the contact indicated that smaller banks may be unable to meet some credit demands due to modest asset size.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

### **LOAN-TO-DEPOSIT RATIO**

For a four-quarter period ending December 31, 1997, the quarterly average loan-to-deposit ratio for all banks headquartered in metropolitan areas of South Carolina and of similar asset size to Johnsonville State Bank ranged from 56% to 63%. The institutions average loan-to-deposit ratio for the previous four quarters is 45%.

Although the loan-to-deposit ratio is lower than the comparative ratios, weak local economic conditions have contributed to relatively flat loan demand. As previously noted, unemployment rates within portions of the assessment area are well above the rate for the state. Also, since March 1997, total loans have grown 11% while total deposits have increased by 7%. The banks level of lending, therefore, is considered reasonable given the institution's size, financial condition, location, and current economic conditions.

### **LENDING IN ASSESSMENT AREA**

To determine the institution's volume of lending within the assessment area, a sample of 90 of the 163 loans secured by motor vehicles and 57 of the 80 business loans extended during the previous 12 months was reviewed. The lending distribution of the sampled loans is represented in the following table.

Comparison of Credit Extended Inside and Outside of Assessment Area

	<b>Inside Assessment Area</b>	<b>Outside Assessment Area</b>	<b>Total</b>
<b>Total Number of Loans</b>	122	25	147
<b>Percentage of Total Loans</b>	83%	17%	100%
<b>Total Amount of Loans (000's)</b>	\$994	\$298	\$1,292
<b>Percentage of Total Amount</b>	77%	23%	100%

As illustrated in the table above, a substantial majority of the number and dollar amounts of the sampled loans have been provided to residents of the assessment area indicating a high level of responsiveness to local credit needs.

## LENDING TO BORROWERS OF DIFFERENT INCOMES AND TO BUSINESSES OF DIFFERENT SIZES

The following charts illustrate the distribution of the sample of loans secured by motor vehicles originated within the assessment areas by income level of the borrower. The data are provided separately for each of the bank's assessment areas.

### Distribution of Loans by Income Level of Borrower - MSA

#### Motor Vehicle Loans

	Low-Income	Moderate-Income	Middle-Income	Upper-Income	Total
Total Number of Loans	22	12	21	3	58
Percentage of Total Loans	38%	21%	36%	5%	100%
Total Amount of Loans (000's)	\$144	\$102	\$140	\$32	\$418
Percentage of Total Loans	34%	24%	34%	8%	100%

The volume of lending to low- and moderate-income residents (59%) is slightly higher than the proportion of low-income (32%) and moderate-income (18%) families in the metropolitan assessment area.

### Distribution of Loans by Income Level of Borrower - Non-MSA

#### Motor Vehicle Loans

	Low-Income	Moderate-Income	Middle-Income	Upper-Income	Total
Total Number of Loans	7	3	7	3	20
Percentage of Total Loans	35%	15%	35%	15%	100%
Total Amount of Loans (000's)	\$31	\$36	\$56	\$26	\$149
Percentage of Total Loans	21%	24%	38%	17%	100%

The percentage of loans to low- and moderate-income residents (50%) within the nonmetropolitan assessment area approximates the representation of such families (49%) within the market.

The other product reviewed was commercial loans. Of the 44 business loans (\$301,872 in dollar amounts) extended within both assessment areas, 100% were provided to businesses with revenues of under \$1 million.

Given the demographics of the assessment areas, the distribution of lending to low- and moderate-income borrowers and to small businesses is considered reasonable.



## **GEOGRAPHIC DISTRIBUTION OF LOANS**

The review of loan files also included an analysis of lending among various geographies within the assessment areas. As previously mentioned, the two assessment areas each contain three moderate-income and four middle-income census tracts or BNAs.

There are no low- or upper-income areas within the local communities. The following chart depicts the distribution of the sampled loans secured by motor vehicles and business loans within both assessment areas according to income level of the geography. The distribution within each assessment area was comparable. Given that the population distribution among moderate- and middle-income areas within each assessment area is similar, the data have been combined for purposes of this analysis.

Distribution of Loans in Assessment Area by Income Level of Census Tract/ BNA

	<b>Moderate- Income</b>	<b>Middle- Income</b>	<b>Total</b>
<b>Total Number of Loans</b>	19	103	122
<b>Percentage of Total Loans</b>	16%	84%	100%
<b>Total Amount of Loans (000's)</b>	\$173	\$821	\$994
<b>Percentage of Total Loans</b>	17%	83%	100%

In the bank's assessment areas, 46% of the population resides in moderate-income geographies, and 54% of the population resides in middle-income areas. The percentage of loans made in moderate-income tracts is somewhat lower (16%) than the percentage of the population residing in such areas. The low penetration of lending may be attributed to the proximity of two highly populated moderate-income census tracts/BNAs within the assessment areas relative to the bank's only office. These geographies contain more than 50% of the population in moderate-income geographies and are located on the outer most edge of the assessment areas, a significant distance from the bank (see Appendix A). Furthermore, 29% of the families residing within the moderate-income geographies in the assessment areas are living below the poverty level. Considering these factors and the local economic conditions, the geographic distribution of the sampled loans is considered satisfactory.

## **COMPLIANCE WITH ANTIDISCRIMINATION LAWS AND REGULATIONS**

No credit practices inconsistent with the substantive provisions of the fair housing and fair lending laws and regulations were identified. Technical violations of the Equal Credit Opportunity Act's Regulation B were noted. Adequate policies, procedures, and training programs have been developed to support nondiscrimination in lending and credit activities.